UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________to _________

Commission file number: 0-32259

Align Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**94-3267295**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*

851 Martin Avenue
Santa Clara, California 95050
(Address of principal executive offices including zip code)

(408) 470-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ],

The number of shares of the Registrant's Common Stock outstanding as of March 31, 2002 was 47,956,647.

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	March 31, 2002 (unaudited)	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,169	$ 50,550
Restricted cash	336	723

Marketable securities, short-term	12,830	12,494
Accounts receivable, net	14,473	11,556
Inventories, net	1,454	1,549
Deferred costs	547	714
Other current assets	4,728	3,997
Total current assets	70,537	81,583
Property and equipment, net	31,874	32,021
Marketable securities, long-term	--	2,627
Other long-term assets	1,918	1,987
Total assets	$ 104,329	$ 118,218

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,498	$ 4,376
Other accrued liabilities	12,286	11,909
Deferred revenue	1,778	1,551
Total current liabilities	16,562	17,836
Capital lease obligations, net of current portion	853	980
Contingencies (Note 4)		
Stockholders' equity:		
Common stock	5	5
Additional paid-in capital	351,011	355,055
Deferred stock-based compensation	(38,447)	(48,324)
Notes receivable from stockholders	(1,137)	(1,484)
Accumulated other comprehensive income	60	226
Accumulated deficit	(224,578)	(206,076)
Total stockholders' equity	86,914	99,402
Total liabilities and stockholders' equity	$ 104,329	$ 118,218

The accompanying notes are an integral part of these condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended March 31,	
	2002	2001
Revenues	$ 17,141	$ 7,689
Cost of revenues	12,505	11,554
Gross profit (loss)	4,636	(3,865)
Operating expenses:		
Sales and marketing	9,818	16,711
General and administrative	10,524	6,905
Research and development	3,093	3,944
Total operating expenses	23,435	27,560
Loss from operations	(18,799)	(31,425)
Interest and other income (expense), net	297	(533)

Net loss	(18,502)	(31,958)
Dividend related to beneficial conversion feature of preferred stock	--	(11,191)
Net loss available to common stockholders	$ (18,502)	$ (43,149)
Net loss per share available to common stockholders basic and diluted	$ (0.40)	$ (1.29)
Shares used in computing net loss per share available to common stockholders, basic and diluted	46,152	33,574

The accompanying notes are an integral part of these condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2002	2001
Cash Flows from Operating Activities:		
Net loss	$ (18,502)	$ (31,958)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred stock compensation	5,598	5,658
Depreciation and amortization	2,913	1,499
Loss on retirement of assets	3	61
Allowance for doubtful accounts	(1)	70
Non-cash interest income on notes receivable	6	(44)
Non-cash interest expense on convertible subordinated note	--	1,803
Non-cash accretion on marketable securities	25	(454)
Changes in Operating Assets and Liabilities:		
Accounts receivable	(2,916)	(2,323)
Deferred costs	167	(1,176)
Inventories	95	(590)
Other current assets	(731)	303
Accounts payable	(1,900)	(3,125)
Other accrued liabilities	333	(2,027)
Deferred revenue	227	601
Net cash used in operating activities	(14,683)	(31,702)
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(2,713)	(2,585)
Decrease in restricted cash	387	7,047
Purchases of marketable securities	--	(62,338)
Proceeds from sales and maturities of marketable securities	2,100	15,837
Change in other assets	69	(24)
Net cash used in investing activities	(157)	(42,063)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	556	127,654
Proceeds from repayment of notes receivable from shareholders	195	--
Repurchase of common stock	(175)	(1)
Payments on loan and capital leases	(117)	(111)
Net cash provided by financing activities	459	127,542
Net (Decrease) Increase in Cash and Cash Equivalents	(14,381)	53,777
Cash and Cash Equivalents at Beginning of Period	50,550	2,828
Cash and Cash Equivalents at End of Period	$ 36,169	$ 56,605

The accompanying notes are an integral part of these condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements as of March 31, 2002, and for the three months ended March 31, 2002 and 2001, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission, and include the accounts of Align Technology, Inc. and its wholly-owned subsidiaries (collectively "Align" or the "Company"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position of the Company. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended December 31, 2001, included in the Company's Annual Report Form 10K.

The results of operations for the three months ended March 31, 2002 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending December 31, 2002. The balance sheet at December 31, 2001 has been derived from the audited consolidated financial statements at that date, but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

2. INVENTORIES

Inventories comprise (in thousands):

	March 31, 2002	December 31, 2001
Raw materials	$ 1,150	$ 1,122
Work in progress	259	182
Finished goods	45	245
Total inventories	$ 1,454	$ 1,549

3. NET LOSS PER SHARE

Basic and diluted net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share excludes potential shares of common stock if their effect is anti-dilutive. Potential common stock consists of common stock subject to repurchase, incremental common shares issuable upon the exercise of stock options and warrants and shares issuable upon conversion of the preferred stock.

The following is a reconciliation of the numerator (net loss available to common stockholders) and the denominator (number of shares) used in the basic and diluted net loss per share calculations (in thousands, except per share data):

	Three Months Ended March 31,	
	2002	2001
Basic and diluted:		
Net loss available to common stockholders	$ (18,502)	$ (43,149)
Weighted average common stock outstanding	47,946	37,094
Less: Weighted-average shares subject to repurchase	(1,794)	(3,520)
Weighted-average shares used in basic and diluted net loss per share	46,152	33,574
Net loss per share available to common stockholders	$ (0.40)	$ (1.29)

The following table sets forth potential shares of common stock that are not included in the basic and diluted net loss per share available to common stockholders because to do so would be anti-dilutive for the three month periods indicated (in thousands):

	March 31,	
	2002	2001
Options to purchase common stock	5,731	5,058
Common stock subject to repurchase	1,560	3,416
Warrants	--	113
	7,291	8,587

4. CONTINGENCIES

The Company was involved in a patent infringement proceeding with a plaintiff asserting infringement of two of its patents. On June 30, 2000, the Company entered into a stipulation of dismissal with the plaintiff whereby the plaintiff agreed not to recommence a suit against the Company for two years with respect to the disputed patents. Pursuant to the agreement, if a patent is subsequently issued to the plaintiff and the plaintiff believes the Company is infringing it, then the plaintiff may commence suit after one year from the effective date of the agreement and include in such action claims involving the two previously disputed patents. If any such action is successful, it could result in a significant monetary damages judgment against the Company.

The Company is subject to claims and assessments from time to time in the ordinary course of business. Management does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

5. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income consists entirely of the change in unrealized gains or losses on available-for-sale securities at March 31, 2002 and December 31, 2001.

6. SUBSEQUENT EVENTS

In April 2002 the Company announced it will assume all marketing and clinical support responsibilities for general dentists in the United States and Canada. Previously, Invisalign certification, marketing and clinical support was available to general dentists via Align's exclusive marketing agreement with Discus Dental. The Company exercised its right to terminate the agreement with Discus Dental Impressions, Inc., dated October 18, 2001. On April 9, 2002, the Company exercised its right to terminate the agreement pursuant to the express terms of the agreement.

On May 14, 2002 the Company received notice that it was named as a respondent in a demand for arbitration submitted by Discus Dental with the American Arbitration Association in San Jose, California. In its arbitration demand, Discus Dental seeks damages of approximately $30 million, including commissions and bonus payments it claims it would have received under the Agreement as well as other expenses, attorneys' fees and injunctive relief to prevent Align from selling Invisalign to dentists in the U.S. and Canada. The Company has not been formally served with Discus' demand by the American Arbitration Association and no date for the Company's response has been set. However, prior to terminating the Agreement Align conducted a thorough review of the Agreement and each party's performance thereunder. Based upon that review of the factual and legal issues, Align denies all claims made by Discus Dental in its demand and contend that such claims are entirely without merit.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This quarterly report contains certain forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and information relating to the Company that are based on the beliefs of the management of the Company as well as assumptions made by and information currently available to the management of the Company. For example, statements that are not based on historical facts, which can be identified by the use of such words as "likely," "will," "suggests," "target," "may," "would," "could," "anticipate," "believe," "estimate," "expect," "intend," "plan," "predict," and similar expressions and their variants, are forward-looking. Such statements reflect the judgment of the Company as of the date of this quarterly report and they involve many risks and uncertainties, such as those described below and those contained in " Factors That May Affect Future Operating Results." These factors could cause actual results to differ materially from those predicted in any forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The Company undertakes no obligation to update forward looking statements.

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the notes thereto included in Item 1 in this quarterly report and our audited consolidated financial statements and notes for the year ended December 31, 2001, included in the Company's Annual Report on Form 10-K.

Overview

From our inception in April 1997, we were engaged in the design, manufacture and marketing of Invisalign, a proprietary new system for treating malocclusion, or the misalignment of teeth. In July 1999, we commenced commercial sales of Invisalign. Prior to July 1999, we devoted nearly all our resources to developing our software and manufacturing processes, clinical trials of Invisalign and building our sales force, customer support and management teams. We exited the development stage in July 2000.

Invisalign has two components: ClinCheck and Aligners. ClinCheck is an Internet-based application that allows dental professionals to simulate treatment, in three dimensions, by modeling two-week stages of tooth movement. Aligners are thin, clear plastic, removable dental appliances that are manufactured in a series to correspond to each two-week stage of the ClinCheck simulation. Aligners are customized to perform the treatment prescribed for an individual patient by a dental professional using ClinCheck.

While our expansion outside of our domestic market (U.S. and Canada) is still in the initial stages, we do incur substantial operating costs outside of our domestic market. Two of our key production steps are performed in operations located outside of the U.S. In our facilities in Pakistan, the United Arab Emirates, or the U.A.E., and Costa Rica, technicians use a sophisticated, internally-developed computer modeling program to prepare electronic treatment plans, which are transmitted via the Internet back to the U.S. These files form the basis of our ClinCheck product and are used for the manufacture of Aligner molds. In addition, a third party manufacturer in Mexico fabricates and performs finishing work on completed Aligners and ships the completed products to our customers. Our costs associated with these operations are denominated in Pakistani rupees, U.A.E. dirhams and Mexican pesos. Our reliance on international operations exposes us to risks and uncertainties that may affect our business or results of operations including, among others, difficulties in staffing and managing international operations, controlling quality of manufacture, political, social and economic instability, acts of war or terrorism, interruptions and limitations in telecommunication services, product or material transportation delays or disruption, and trade restrictions and changes in tariffs. However, we believe these risks in Pakistan, the U.A.E. and Costa Rica are mitigated by the fact that our operations there do not involve the shipping or manufacturing of any physical products, and in Mexico by the fact that our operations there are governed under the provisions of the North American Free Trade Agreement, or NAFTA.

We have not been profitable for any period since April 3, 1997 (our inception). As of March 31, 2002, we had an accumulated deficit of $224.6 million. We expect to have net operating losses and negative operating cash flows for at least the next 12 months due, in part, to our national consumer advertising campaign, the expansion of manufacturing capacity, the launching of our international sales and marketing efforts and continued research and development efforts. We will need to generate significant revenue growth to achieve profitability and positive operating cash flow. Even if we do achieve profitability and positive cash flow, we may not be able to sustain or increase profitability or positive operating cash flow on a quarterly or annual basis.

We earn revenue primarily from the sale of Invisalign. In our domestic market and in other selected international locations, our revenue consists of fees charged for both the ClinCheck and for Aligners. We charge dental professionals a fixed fee for the treatment simulation viewed via ClinCheck on our website, Invisalign.com. This fee is invoiced when the dental professional orders ClinCheck prior to the production of Aligners. In addition, we charge dental professionals a fee for Aligners upon shipment. In other international locations, the dental professionals are invoiced for the entire Invisalign case upon the shipment of the Aligners.

Historically, we have shipped Aligners in batches. The first batch, which typically represented the first several months of treatment, was produced once the prescribing dental professional approved ClinCheck. Thereafter, Aligners were sent at approximately six month intervals until completion of treatment. In mid-February 2001, for cases where ClinCheck was approved, we began shipping all the Aligners in a single batch.

Fees from the sale of ClinCheck and Aligners, taken together, are treated as revenues from a single Invisalign case. For cases where ClinCheck was approved prior to mid-February 2001, revenues associated with a given case are recognized ratably as batches of Aligners are shipped to the dental professional. For orders placed subsequent to notification of our change to single batch shipments, all of the revenues associated with a given case, including ClinCheck fees, will be recognized at the time the Aligners are shipped. The costs of producing the ClinCheck treatment plan, which are incurred prior to the production of Aligners, are deferred and recognized as related revenue is earned. In the cases where we expect a net loss, the entire loss is recognized immediately.

Results of Operations

Revenues. Revenues for the quarter ended March 31, 2002 increased to $17.1 million, compared with $7.7 million for the quarter ended March 31, 2001. The increase in revenues was primarily due to the increase in Invisalign cases shipped and an increase in training revenue of $2.3 million, compared with no training revenue in the prior year. Substantially all of our training revenue was derived from our Discuss Dental agreement, which was cancelled in April 2002. As a result, we expect training revenue to decrease in future periods.

Cost of revenues. Cost of revenues for the quarter ended March 31, 2002 was $12.5 million, compared with $11.6 million for the quarter ended March 31, 2001. Cost of revenues includes the salaries of staff involved in production, the cost of materials and packaging used in production and shipping, depreciation on the capital equipment used in the production process, unabsorbed manufacturing capacity that resulted from our substantial increase in our manufacturing capacity in fiscal 2001, training costs and an allocation of the cost of facilities. For the first quarter of fiscal 2002, we achieved positive gross margins mainly due to efficiencies achieved in manufacturing as well as reducing overcapacity in many areas. Our gross margin is affected by changes in manufacturing volume, manufacturing capacity and changes in our pricing policies.

Sales and marketing expenses. Sales and marketing expenses for the quarter ended March 31, 2002 were $9.8 million, compared with $16.7 million for the quarter ended March 31, 2001. Sales and marketing expenses include sales force compensation together with expenses of professional marketing, conducting training workshops and market surveys, advertising and attending orthodontic trade shows. The decrease in sales and marketing expenses in the quarter ended March 31, 2002 resulted primarily from decreases of approximately $8.7 million in advertising expenses related to our national advertising campaign which ran in the quarter ended March 31, 2001. Partially offsetting this decrease in sales and marketing expenses is the increase in sales and marketing in our international locations.

General and administrative expenses. General and administrative expenses for the quarter ended March 31, 2002 were $10.5 million, compared with $6.9 million for the quarter ended March 31, 2001. General and administrative expenses include costs for the compensation of administrative personnel, outside consulting services, facilities, legal expenses and general corporate expenses.

The increase was primarily attributable to increased headcount and administrative costs relating to being a public company and due to the growth of our international operations.

Research and development expenses. Research and development expenses for the quarter ended March 31, 2002 were $3.1 million, compared with $3.9 million for the quarter ended March 31, 2001. Research and development expenses include the costs associated with software engineering, the costs of designing, developing and testing our products and the conduct of both clinical and post-marketing trials. We expense our research and development costs as they are incurred. Research and development expenses decreased slightly from year to year due to the continued reduction in outside services.

Interest and other income (expense), net. Other income was $297,000 for the quarter ended March 31, 2002 compared to other expense of $533,000 for the quarter ended March 31, 2001. The interest income in the first quarter of 2002 was primarily generated from the Company's cash and cash equivalents balance and investments in short-term marketable securities. This is compared to other expense in the first quarter of fiscal 2001, which was primarily due to a non-cash interest expense of $1.8 million, recorded in January 2001, related to the beneficial conversion feature embedded in convertible subordinated notes. Offsetting this expense in 2001 was interest income generated from cash and cash equivalents balance and investments in short-term and long-term marketable securities.

Dividend related to beneficial conversion feature of preferred stock. In 2000 we issued 9,535,052 shares of Series D preferred stock which were subject to an antidilution conversion price adjustment feature which we triggered when we granted options to purchase our common stock beyond the number of options that were authorized under our 1997 Plan at the time we commenced our Series D preferred stock offering in May 2000. The conversion feature provided that if, during the period between May 12, 2000 (the commitment date for our Series D preferred stock offering) and the earlier of the closing of an initial public offering or January 31, 2001, we had granted more than an aggregate of 3,331,978 options to purchase our common stock, then the conversion price of our Series D preferred stock would be adjusted downward from its original conversion price of $10.625 per share. As of the end of January 2001, we had granted an aggregate of 3,591,458 options to purchase shares of our common stock in excess of the 3,331,978 options permitted, and we were therefore required to issue an additional 790,342 shares of common stock upon the conversion of the Series D preferred stock. These shares were in addition to the 419,700 additional shares of common stock that we were required to issue upon conversion of the Series D preferred stock as of December 31, 2000. As a result, we recorded a deemed dividend for the three months ended March 31, 2001 based on the fair value of the common stock at the commitment date of the Series D preferred stock offering of $11.2 million related to the preferred stock sold and a charge to interest expense of $1.8 million for the beneficial conversion feature embedded in convertible subordinated notes that were previously converted.

Deferred Compensation. In connection with the grant of stock options to employees and non-employees, we recorded deferred stock-based compensation as a component of stockholders' equity. Deferred stock- based compensation for options granted to employees is the difference between the fair value of our common stock on the date such options were granted and their exercise price. For stock options granted to non-employees, the fair value of the options, estimated using the Black-Scholes valuation model, is initially recorded on the date of grant. As the non-employee options become exercisable, we revalue the remaining unvested options, with the change in fair value from period to period represented as a change in the deferred compensation charge. This stock-based compensation is amortized as charges to operations over the vesting periods of the options. We recorded amortization of deferred compensation of $5.6 million and $5.7 million for the periods ended March 31, 2002 and 2001, respectively.

During the quarter ended March 31, 2002, the Company accelerated the vesting of options to several employees in connection with severance packages. The acclerations were accounted for as a charge to the statement of operations. The charge was $118,000 for the quarter ended March 31, 2002. The charge is equal to the intrinsic value difference between the exercise price of the accelerated options and the fair valud of the common stock on the date of acceleration. There was no acceleration charges for the quarter ended March 31, 2001.

Liquidity and Capital Resources

Historically, we have funded our operations with the proceeds from the sale of our common and preferred stock, equipment leases and bridge loans. As of March 31, 2002, we had $49.0 million in cash and cash equivalents and marketable securities and an accumulated deficit of $224.6 million. Additionally, we had $336,000 of restricted cash.

Net cash used in operating activities totaled $14.7 million and $31.7 million for the three-month periods ended March 31, 2002 and 2001, respectively. In each of these periods, net cash used by operating activities consisted primarily of net operating losses, partially offset by increases in depreciation and amortization and amortization of deferred stock-based compensation.

Net cash used in investing activities totaled $157,000 and $42.1 million for the three-month periods ended March 31, 2002 and 2001, respectively. For the three-month period ended March 31, 2002, net cash used in investing activities consisted primarily of purchases of property and equipment, partially offset by sales and maturities of marketable securities and a decrease in restricted cash. For the three-month period ended March 31, 2001, net cash used in investing activities consisted primarily of purchase of property and equipment and marketable securities, partially offset by proceeds from the sales and maturities of marketable securities and a decrease in restricted cash.

Net cash provided by financing activities was $459,000 and $127.5 million for the quarters ended March 31, 2002 and 2001, respectively. For the three-month period ended March 31, 2002 net cash provided by financing activities consisted primarily of proceeds from the issuance of common stock. In January 2001, we completed our initial public offering of 10 million shares of common stock. In March 2001, the underwriters exercised an overallotment option for 628,706 shares. Net proceeds to us were approximately $126.2 million.

We expect that our operating expenses will increase with an overall increase in the level of our business activity, including increased sales and the related costs of products sold, our national consumer advertising campaign, continuing efforts to expand our manufacturing capacity, increases in our international sales and marketing efforts, research and development and other costs. The change from batch shipments of Aligners in February 2001 has nad a negligable effect on our cash flows. In addition, we may use cash to fund acquisitions of complementary businesses or technologies. We believe that our current cash and cash equivalents, short-term and long-term marketable securities will be sufficient to meet our operating, working capital and capital expenditure requirements for at least the next 12 months. Thereafter, we may find it necessary to obtain additional equity or debt financing. In the event additional financing is required, we may not be able to raise it on acceptable terms or at all.

Factors That May Affect Future Operating Results

Since we have a history of losses and negative operating cash flows, and we expect our operating expenses to continue to increase, we may not achieve or maintain profitability in the future.

We have incurred significant operating losses, negative operating cash flows and have not achieved profitability. From inception through July 2000, we spent significant funds in organizational and start-up activities, recruiting key managers and employees, developing Invisalign and developing our manufacturing and customer support resources. We also spent significant funds on clinical trials and training programs to train dental professionals in the use of Invisalign. We expect to have net losses and negative operating cash flows for at least the next 12 months.

We intend to increase our operating expenses as we continue to:

- scale our manufacturing operations;
- develop new software and increase the automation of our manufacturing processes;
- execute our national direct to consumer marketing campaign;
- increase the size of our sales force and dental professional training staff;
- increase our international sales and marketing efforts;
- undertake quality assurance and improvement initiatives; and
- increase our general and administrative functions to support our growing operations.

As a result, we will need to increase our revenue significantly, while controlling our expenses, to achieve profitability. It is possible that we will not achieve profitability, and even if we do achieve profitability, we may not sustain or increase profitability in the future.

We may be unable to raise additional capital if it should be necessary, which could harm our ability to compete.

We have incurred significant operating losses and negative operating cash flows since inception and have not achieved profitability. As of March 31, 2002, we had an accumulated deficit of approximately $224.6 million.

We expect to expend significant capital to establish a national brand, build manufacturing infrastructure and develop both product and process technology. We believe that the existing cash balances and other potential financing alternatives will be sufficient to meet our capital and operating requirements for at least the next 12 months.

We are currently working towards our objective of realizing profitability by achieving the key goal of successfully marketing our product throughout our domestic market and internationally, while controlling our expenses. The failure to win increased acceptance of Invisalign by dental professionals could have a material adverse effect on our business, results of operations and financial conditions.

If we are unable to generate adequate operating cash flows, we may need to seek additional sources of capital through equity or debt financing, collaborative or other arrangements with other companies, bank financing and other sources in order to realize our objectives and to continue our operations. There can be no assurance that we will be able to obtain additional debt or equity financing on terms acceptable to us, or at all. If adequate funds are not available, we could be required to delay establishing a national brand, building manufacturing infrastructure and developing our product and process technology, or to reduce our expenditures in general. Accordingly, the failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations and financial condition.

We have a limited operating history and expect our future financial results to fluctuate significantly, which may cause our stock price to decline.

We were incorporated in April 1997 and began sales of Invisalign in July 1999. Thus, we have a limited operating history, which makes an evaluation of our future prospects and your investment in our stock difficult. In addition, we expect our future quarterly and annual operating results to fluctuate as we increase our commercial sales. These fluctuations could cause our stock price to decline. Some of the factors that could cause our operating results to fluctuate include:

- changes in the timing of product orders;

- unanticipated delays in production caused by insufficient capacity, any disruptions in the manufacturing process or in the introduction of new production processes;
- inaccurate forecasting of revenue, production and other operating costs; and
- the development and marketing of directly competitive products by potential competitors.

To respond to these and other factors, we may need to make business decisions that could adversely affect our operating results. Most of our expenses, such as employee compensation and lease payment obligations, are relatively fixed in the short term. Moreover, our expense levels are based, in part, on our expectations regarding future revenue levels. As a result, if our revenue for a particular period falls below our expectations, we may be unable to adjust spending quickly enough to offset any unexpected shortfall in revenue growth or any decrease in revenue levels.

Due to these and other factors, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful. You should not rely on our results for any one quarter as an indication of our future performance.

We have limited product offerings, and if demand for Invisalign declines or fails to develop as we expect, our revenue will decline.

We expect that revenue from the sale of Invisalign will continue to account for a substantial portion of our total revenue. Continued and widespread market acceptance of Invisalign is critical to our future success. Invisalign may not achieve market acceptance at the rate at which we expect, or at all, which could reduce our revenue.

If dental professionals do not adopt Invisalign in sufficient numbers or as rapidly as we anticipate, our operating results will be harmed.

As of March 31, 2002, approximately 4,500 dental professionals have submitted one or more cases to us. Our success depends upon increasing acceptance of Invisalgin by dental professionals. Invisalign requires dental professionals and their staff to undergo special training and learn to interact with patients in new ways and to interact with us as a supplier. In addition, because Invisalign has only been in clinical testing since July 1997 and commercially available since July 1999, dental professionals may be reluctant to adopt it until more historical clinical results are available. Also, increasing adoption by dental professionals will depend on factors such as the capability, safety, efficacy, ease of use, price, quality and reliability of our products and our provision of effective sales support, training and service. In the future, unanticipated poor clinical performance of Invisalign could result in significant adverse publicity and consequently in reduced acceptance by dental professionals. If Invisalign does not achieve growing acceptance in the orthodontic and dental communities, our operating results will be harmed.

If consumers do not adopt Invisalign in sufficient numbers or as rapidly as we anticipate, our operating results will be harmed.

Invisalign represents a significant change from traditional orthodontic treatment, and patients may be reluctant to accept it or may not find it preferable to conventional treatment. In addition, patients may not comply with recommended treatment guidelines which could compromise the effectiveness of their treatment. While we have generally received positive feedback from both dental professionals and patients regarding Invisalign as both an alternative to braces and as a clinical method for treatment of malocclusion, our success will depend upon the rapid acceptance of Invisalign by the substantially larger number of potential patients to which we are now actively marketing. We have had a limited number of complaints from patients and prospective patients generally related to shipping delays and minor manufacturing irregularities. Market acceptance will depend in part upon the recommendations of dentisal professionals, as well as other factors including effectiveness, safety, reliability, improved treatment aesthetics and greater comfort and hygiene compared to conventional orthodontic products. Furthermore, consumers may not respond to our direct marketing campaigns or we may be unsuccessful in reaching our target audience. Adoption by consumers may also be impacted by general macroeconomic conditions, levels of consumer confidence and consumer spending. If consumers prove unwilling to adopt Invisalign as rapidly or in the numbers that we anticipate, our operating results will be harmed.

We are dependent on our international manufacturing operations, which exposes us to foreign operational, political and other risks that may harm our business.

Two of our key production steps are performed in manufacturing operations located outside the U.S. We currently rely on our facilities in Pakistan, the U.A.E. and Costa Rica to create electronic treatment plans with the assistance of sophisticated software. In addition, we rely on third party manufacturers in Mexico to fabricate Aligners and to ship the completed product to customers. Our reliance on international operations exposes us to risks and uncertainties, including:

- political, social and economic instability;
- acts of terrorism and acts of war, particularly in light of the terrorist attacks of September 11, 2001 and the war in Afghanistan;
- difficulties in staffing and managing international operations;
- controlling quality of manufacture;
- interruptions and limitations in telecommunication services;
- product or material transportation delays or disruption;
- burdens of complying with a wide variety of local country and regional laws;
- trade restrictions and changes in tariffs;
- import and export license requirements and restrictions;
- fluctuations in currency exchange rates; and

- potential adverse tax consequences.

If any of these risks materialize, our operating results may be harmed.

Our success depends in part on our proprietary technology and if we are unable to successfully enforce our intellectual property rights, our competitive position may be harmed.

Our success will depend in part on our ability to maintain existing intellectual property and to obtain and maintain further intellectual property protection for our products, both in the U.S. and in other countries. Our inability to do so could harm our competitive position. As of April 30, 2002, we have 12 issued U.S. patents and 61 pending U.S. patent applications. We have 15 foreign-issued patents and 119 pending foreign patent applications. We intend to rely on our portfolio of issued and pending patent applications in the U.S. and in other countries to protect a large part of our intellectual property and our competitive position. However, our currently pending or future patent filings may not issue as patents. Additionally, any patents issued to us may be challenged, invalidated, held unenforceable, circumvented, or may not be sufficiently broad to prevent third parties from producing competing products similar in design to our products. In addition, protection afforded by foreign patents may be more limited than that provided under U.S. patents and intellectual property laws.

We also rely on protection of copyrights, trade secrets, know-how and proprietary information. We generally enter into confidentiality agreements with our employees, consultants and our collaborative partners upon commencement of a relationship with us. However, these agreements may not provide meaningful protection against the unauthorized use or disclosure of our trade secrets or other confidential information and adequate remedies may not exist if unauthorized use or disclosure were to occur. Our inability to maintain the proprietary nature of our technology through patents, copyrights or trade secrets would impair our competitive advantages and could have a material adverse effect on our operating results, financial condition and future growth prospects. In particular, a failure of our proprietary rights might allow competitors to copy our technology, which could adversely affect pricing and market share.

If we infringe the patents or proprietary rights of other parties, our ability to grow our business will be severely limited.

Extensive litigation over patents and other intellectual property rights is common in the medical device industry. We have been sued for infringement of another party's patent in the past and, while that action has been dismissed, we may be the subject of patent or other litigation in the future.

In January 2000, Ormco Corporation filed suit against us asserting an infringement of U.S. Patent Nos. 5,447,432 and 5,683,243. The complaint sought unspecified monetary damages and equitable relief. The complaint alleged that Invisalign infringed certain claims of the two patents relating to computer modeling of an ideal dentition and the production of orthodontic appliances based upon the ideal dentition. The suit has been dismissed but can be recommenced under certain circumstances. See "Part II-Item 1--Legal Proceedings." If the Ormco suit were recommenced and if Ormco were to prevail, we would have to seek a license from Ormco, which license might not be available on commercially reasonable terms or at all. In that event, we could be subject to damages or an injunction, which could materially adversely affect our business.

From time to time, we have received and may again receive letters from third parties drawing our attention to their patent rights. While we do not believe that we infringe any valid and enforceable rights which have been brought to our attention, there may be other more pertinent rights of which we are presently unaware. The defense and prosecution of intellectual property suits, interference proceedings and related legal and administrative proceedings could result in substantial expense to us and significant diversion of effort by our technical and management personnel. An adverse determination in a patent suit by Ormco or in any other litigation or interference proceeding to which we may become a party could subject us to significant liabilities. An adverse determination of this nature could also put our patents at risk of being invalidated or interpreted narrowly or require us to seek licenses from third parties. Licenses may not be available on commercially reasonable terms or at all, in which event, our business would be materially adversely affected.

We currently rely on third parties to provide key inputs to our manufacturing process, and if our access to these inputs is diminished, our business may be harmed.

We currently outsource key portions of our manufacturing process. We rely on a third party manufacturer in Mexico to fabricate Aligners and to ship the completed product to customers. In addition, third party rapid prototyping bureaus fabricate some molds from which the Aligners are formed. As a result, if any of our third party manufacturers fail to deliver their components or if we lose their services, we may be unable to deliver our products in a timely manner and our business may be harmed. Finding substitute manufacturers may be expensive, time-consuming or impossible. Although we are in the process of developing the capability to fabricate all molds and Aligners internally, we may not be successful and may continue to rely on outsourcing in the future.

In addition, we are highly dependent on manufacturers of specialized scanning equipment, rapid prototyping machines, resin and other advanced materials. We maintain single supply relationships for many of these machines and materials technologies. Our rapid growth may exceed the capacity of these manufacturers to produce the needed equipment and materials in sufficient quantities to support our growth. In the event of delivery delays or shortages of these items, our business and growth prospects may be harmed.

We are growing rapidly, and our failure to manage this growth could harm our business. We have experienced significant growth in recent periods.

Our headcount increased from approximately 50 employees as of June 30, 1999 to approximately 1,100 employees as of March 31, 2002. We expect that our growth will place significant demands on our management and other resources and will require us to continue to develop and improve our operational, financial and other internal controls both in the U.S. and internationally. In particular, continued growth increases the challenges involved in a number of areas, including: recruiting and retaining sufficient skilled personnel, providing adequate training and supervision to maintain our high quality standards, and preserving our culture and values. Our inability to manage this growth effectively would harm our business.

If we lose our key personnel or are unable to attract and retain key personnel, we may be unable to pursue business opportunities or develop our products.

We are highly dependent on the key employees in our clinical engineering and management teams. The loss of the services of those individuals may significantly delay or prevent the achievement of our product development and other business objectives and could harm our business. Our future success will also depend on our ability to identify, recruit, train and retain additional qualified personnel. There is currently a shortage of skilled clinical, engineering and management personnel and intense competition for these personnel, especially in Silicon Valley where our headquarters is located. In addition, few orthodontists are accustomed to working in a manufacturing environment since they are generally trained to work in private practices, universities and other research institutions. Thus, we may be unable to attract and retain personnel with the advanced qualifications necessary for the further development of our business. Furthermore, we may not be successful in retaining our key personnel or their services.

We experience competition from manufacturers of traditional braces and expect aggressive competition in the future.

We are not aware of any company that is marketing or developing a system directly comparable to Invisalign. However, manufacturers of traditional braces, such as 3M Company, Sybron Dental Specialities and Dentsply International, Inc. have substantially greater financial resources and manufacturing and marketing experience than we do and may, in the future, attempt to develop an orthodontic system similar to ours. Large consumer products companies may also enter the orthodontic supply market. Furthermore, we may face competition in the future from new companies that may introduce new technologies. We may be unable to compete with these competitors and one or more of these competitors may render our technology obsolete or economically unattractive. If we are unable to compete effectively with existing products or respond effectively to any products developed by our competitors, our business will be harmed.

Complying with the Food and Drug Administration (FDA) and other regulations is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

Our products are medical devices and subject to extensive regulation in the U.S. and internationally. FDA regulations are wide ranging and govern, among other things:

- product design, development, manufacture and testing;
- product labeling;
- product storage;
- pre-market clearance or approval;
- advertising and promotion; and
- product sales and distribution.

Noncompliance with applicable regulatory requirements can result in enforcement action which may include recalling products, ceasing product marketing, and paying significant fines and penalties, which could limit product sales, delay product shipment and adversely affect our profitability.

In the U.S., we must comply with facility registration and product listing requirements of the FDA and adhere to applicable Quality System regulations. The FDA enforces its Quality System regulations through periodic unannounced inspections, which we have yet to undergo. If we or any third party manufacturer of our products do not conform to applicable Quality System regulations, we may be required to find alternative manufacturers, which could be a long and costly process.

Before we can sell a new medical device in the U.S., we must obtain FDA clearance or approval, which can be a lengthy and time-consuming process. Even though the devices we market have obtained the necessary clearances from the FDA through the pre-market notification provisions of Section 510(k) of the federal Food, Drug, and Cosmetic Act, we may be unable to maintain the necessary clearances in the future. Furthermore, we may be unable to obtain the necessary clearances for new devices that we market in the future.

Extensive and changing government regulation of the healthcare industry may be expensive to comply with and exposes us to the risk of substantial government penalties.

In addition to medical device laws and regulations, numerous state and federal healthcare-related laws regulate our business, covering areas such as:

- storage, transmission and disclosure of medical information and healthcare records;
- prohibitions against the offer, payment or receipt of remuneration to induce referrals to entities providing healthcare services or goods; and
- the marketing and advertising of our products.

Complying with these laws and regulations could be expensive and time- consuming, and could increase our costs or reduce or eliminate certain of our activities or our revenues.

We face risks related to our international operations, including the need to obtain necessary foreign regulatory clearance or approvals.

Sales of our products outside the U.S. are subject to foreign regulatory requirements that vary widely from country to country. The time required to obtain clearances or approvals required by other countries may be longer than that required for FDA clearance or approval, and requirements for such approvals may differ from FDA requirements. We may be unable to obtain regulatory approvals in other countries. We may also incur significant costs in attempting to obtain and in maintaining foreign regulatory approvals. If we experience delays in receipt of approvals to market our products outside of the U.S., or if we fail to receive these approvals, we may be unable to market our products or enhancements in international markets in a timely manner, if at all. We have recently launched sales of our product in Germany, France and the U.K. and intend to further expand our international operations. We do not know whether orthodontists, dentists and consumers will adopt Invisalign in sufficient numbers or as rapidly as we anticipate.

Our business exposes us to risks of product liability claims, and we may incur substantial expenses if we are sued for product liability.

Medical devices involve an inherent risk of product liability claims and associated adverse publicity. We may be held liable if any product we develop or any product that uses or incorporates any of our technologies causes injury or is otherwise found unsuitable. Although we intend to continue to maintain product liability insurance, adequate insurance may not be available on acceptable terms and may not provide adequate coverage against potential liabilities. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. These costs would have the effect of increasing our expenses and could harm our business.

The market price for our common stock may be highly volatile.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

- quarterly variations in our results of operations;
- changes in recommendations by the investment community or in their estimates of our revenues or operating results;
- speculation in the press or investment community;
- strategic actions by our competitors, such as product announcements or acquisitions; and
- general market conditions.

In addition, the stock market in general, and the market for technology and medical device companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated to or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been brought against the company. If a securities class action suit is filed against us, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business in order to respond to the litigation.

Concentrations of ownership and agreements among our existing executive officers, directors and principal stockholders may prevent other stockholders from influencing significant corporate transactions.

The interest of management could conflict with the interest of our other stockholders. As of March 31, 2002, our executive officers, directors and principal stockholders beneficially owned, in total, approximately 46.9% of our outstanding common stock. These stockholders, if acting together, would be able to influence significantly all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This could have the effect of delaying or preventing a change of control of the Company, which in turn could reduce the market price of our stock.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Quantitative Disclosures

We are exposed to market risks inherent in our operations, primarily related to interest rate risk and currency risk. These risks arise from transactions and operations entered into in the normal course of business. We do not use derivatives to alter the interest characteristics of our marketable securities or our debt instruments. We have no holdings of derivative or commodity instruments.

Interest Rate Risk. We are subject to interest rate risks on cash and cash equivalents, available-for-sale marketable securities, existing long-term debts and any future financing requirements. Interest rate risks related to marketable securities are managed by managing maturities in our marketable securities portfolio. Our long-term debt at March 31, 2002 consists only of outstanding balances on lease obligations.

The fair value of our investment portfolio or related income would not be significantly impacted by changes in interest rates since the marketable securities maturities do not exceed fiscal year 2002 and the interest rates are primarily fixed. Our capital lease obligations of $1.3 million at March 31, 2002 carry fixed interest rates of 6.53% and 11.15% per annum with principle payments due in 60 and 48 equal annual installments, respectively, and which originated in 2000.

Qualitative Disclosures

Interest Rate Risk. Our primary interest rate risk exposures relate to:

- The available-for-sale securities will fall in value if market interest rates increase.
- Our ability to pay long-term debts at maturity.
- The impact of interest rate movements on our ability to obtain adequate financing to fund future operations.

We have the ability to hold at least a portion of the fixed income investments until maturity and therefore would not expect the operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates on our short- and long-term marketable securities portfolio.

We manage interest rate risk on our outstanding long-term debts through the use of fixed rate debt. Management evaluates our financial position on an ongoing basis.

Currency Rate Risk. Our primary currency rate risk exposures relate to:

- Our decentralized or outsourced operations, whereby approximately $7.54 million of our expenses in the quarter ended March 31, 2002 are related to operations outside the United States, denominated in currencies other than the U.S. dollar.

We do not hedge any balance sheet exposures and intercompany balances against future movements in foreign exchange rates. The exposure related to currency rate movements would not have a material impact on future net income or cash flows.

PART II. -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In February 2001 Align Technology was named in a class action lawsuit filed on behalf of all licensed dentists (excluding orthodontists) in the U.S. The complaint alleged that Align Technology's policy of selling Invisalign exclusively to orthodontists violated the U.S. antitrust laws. Without admitting any wrongdoing, the company entered into a Stipulation and Agreement of Settlement with the plaintiffs to settle the lawsuit. The total legal and other settlement costs that Align has agreed to pay are approximately $400,000. Pursuant to the settlement, Align will undertake to train and certify 5,000 general practice dentists each year over the next four years. In November 2001, the Court approved the Stipulation and Agreement of Settlement.

In January 2000, Ormco Corporation filed suit against us asserting infringement of U.S. Patent Nos. 5,447,432 and 5,683,243. The complaint sought unspecified and monetary damages and injunctive relief. In March 2000, we answered the complaint and asserted counterclaims seeking a declaration by the Court of invalidity and non-infringement of the asserted patents.

In June 2000, we entered into a Stipulation of Dismissal with Ormco. Ormco agreed for a period of at least two years not to pursue litigation with respect to these patents, except as set forth below. Further, Ormco agreed that it would not bring any patent action against us for at least a period of one year with respect to any as yet unissued patents. If Ormco were to bring such an action concerning as yet unissued patents after one year, the Stipulation of Dismissal would allow Ormco to include in such an action claims involving U.S. Patent Nos. 5,447,432 and 5,683,243. In August 2001, Ormco notified us of the issuance of U.S. Patent No. 6,244,861 and offered a license for this patent. No assurance can be given that Ormco will not bring another action against us or, that if brought, it will not be successful. Should the suit be recommenced and should our technology be found to infringe, we would have to seek a license from Ormco, which license might not be available on commercially reasonable terms or at all. In that event, we could be subject to damages or an injunction which could materially adversely affect our business. It is possible that, depending on the scope of any new patents that are issued to Ormco, Ormco will bring another patent action after a period of one year has passed.

The claims at issue in the Ormco suit relate to methods and systems for forming and manufacturing custom orthodontic appliances. The relevant claims are limited to the calculation of the final positioning of a patient's teeth based upon a derived or ideal dental archform of the patient. The treatment plan simulation developed in our Pakistan facilities determines the final positioning of a patient's teeth but is not based on a derived or ideal dental archform of the patient.

On April 9, 2002, we exercised our right to terminate an Exclusive Marketing Agreement dated October 18, 2001 with Discus Dental Impressions, Inc. pursuant to the express terms of the Agreement and we issued a press release reporting this termination.

On May 14, 2002 we received notice that we were named as a respondent in a demand for arbitration submitted by Discus Dental with the American Arbitration Association in San Jose, California. In its arbitration demand, Discus Dental seeks damages of approximately $30 million, including commissions and bonus payments it claims it would have received under the Agreement as well as other expenses, attorneys' fees and injunctive relief to prevent us from selling Invisalign to dentists in the U.S. and Canada. We have not been formally served with Discus' demand by the American Arbitration Association and no date for our response has been set. However, prior to terminating the Agreement we conducted a thorough review of the Agreement and each party's performance thereunder. Based upon that review of the factual and legal issues, we deny all claims made by Discus Dental in its demand and contend that such claims are entirely without merit.

From time to time, we have received, and may again receive, letters from third parties drawing our attention to their patent rights. While we do not believe that we infringe any such rights which have been brought to our attention, there may be other more pertinent rights of which we are presently unaware.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Sales of Registered Securities. On January 25, 2001 the Securities and Exchange Commission declared effective our Registration Statement on Form S-1 (File No. 333-49932) relating to our initial public offering of our common stock. The 10,000,000 shares offered by us under the Registration Statement were sold at a price of $13.00 per share on January 31, 2001. The managing underwriters for the offering were Deutsche Banc Alex. Brown, Bear, Stearns & Co. Inc., JP Morgan and Robertson Stephens. The underwriters also exercised an overallotment option on March 15, 2001 for 628,706 shares. The overallotment shares were sold at a price of $13.00 per share. The aggregate proceeds to the Company from the offering were $128.5 million after deducting the underwriting discounts and commissions of $9.7 million, and excluding expenses incurred in connection with the offering of approximately $2.3 million.

Of the net proceeds, as of March 31, 2002, we have used net offering proceeds to purchase plant machinery and equipment, leasehold improvements and working capital in the amounts of approximately $20.2 million, $1.6 million and $68.1 million, respectively. No direct or indirect payments were made to directors, officers, general partners of the issuer or their associates, or to persons owning 10% or more of any class of equity securities of the issuer, or to any affiliates of the issuer in connection with the offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number	Description of Document
10.18	Agreement to confirm consulting and board duties, dated February 26, 2002, between the registrant and Kelsey Wirth.
10.19	Transition, Consulting and Separation Agreement, dated March 27, 2002, between the registrant and Muhammad Ziaullah Chishti.
10.20	Employment Agreement, dated March 27, 2002, between the registrant and Thomas M. Prescott.
10.21	Separation Agreement, dated March 28, 2002, between the registrant and Ike Udechuku.

(b) Reports on Form 8-K

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Align Technology, Inc.
(Registrant)

Dated: May 15, 2002

By: /s/ Stephen J. Bonelli

Stephen J. Bonelli
Chief Financial Officer and Vice President, Finance
(Principal Financial and Principal Accounting Officer)

INDEX TO EXHIBITS

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10.21	Separation Agreement, dated March 28, 2002, between the registrant and Ike Udechuku.

EXHIBIT 10.18

February 26, 2002
Kelsey Wirth

Dear Kelsey:

This letter is to confirm your consulting and Board arrangements with Align Technology, Inc. ("Align"), following your resignation as President on November 9, 2001.

You will provide consulting services to the Board of Directors and the Chief Executive Officer of Align and such employees as the Board or the CEO designates for one year from the time that you resigned as President. It is understood that you will not be required to consult more than 30 hours per month and the consulting services to Align will not preclude you from engaging in other employment that is not competitive with the business of Align. In this regard, the terms of your Employee Proprietary Information and Confidentiality Agreement that you signed as an employee of Align will continue to apply to your services as a consultant.

In consideration of your consulting services, Align will pay you a monthly consulting fee through November 8, 2002 of $ 18,750.00, which is equal to your gross monthly salary that Align was paying you at the time of your resignation. Align will pay you an additional amount through November 8, 2002 equal to your monthly COBRA payments so that you may maintain the same level of health insurance coverage and related benefits that you were receiving as a full-time officer of Align.

In accordance with the Stock Option Agreement governing the options to purchase 1,000,000 shares of common stock granted to you on January 4, 2001 at an exercise price of $15.00 per share, the options will continue to vest and you will be entitled to exercise them so long as you remain a consultant to Align or a member of the Board of Directors; provided, however, that vesting of these options will terminate on the second anniversary of the date of grant of the options (on January 3, 2003), at which point you will be fully vested in 500,000 of such options, and such vested options will remain exercisable by you so long as you are a consultant or a member of the Board of Directors. Although it is not possible to assure you that you'll be elected to the Board of Directors of Align, it is the Board of Directors' present intention to nominate you to the slate of directors submitted to the stockholders for the annual meeting of stockholders, at least for 2002.

You were an important contributor to the company during the time that you served as an officer and your advice and counsel as a director since your resignation as President has been valued by the entire Board. We look forward to working with you as a Board member in the future. If you are in agreement with the foregoing, please sign the enclosed copy of this letter and return it to me.

Sincerely,

/S/ Joe Lacob

Joe Lacob
Member of the Board of Directors of Align Technology

The foregoing is accepted and agreed to:

/S/ Kelsey Wirth

Kelsey Wirth

Date: February 26, 2002

EXHIBIT 10.19

ALIGN TECHNOLOGY, INC.

TRANSITION, CONSULTING AND SEPARATION AGREEMENT

This Transition, Consulting and Separation Agreement ("**Agreement**") is entered into as of March 27, 2002 by and between Align Technology, Inc., a Delaware corporation (the "**Company**"), and Muhammad Ziaullah Chishti ("**Mr. Chishti**").

WHEREAS, Mr. Chishti is currently employed as Chief Executive Officer of the Company and serves on the Company's Board of Directors (the "**Board**"); and

WHEREAS, the Company and Mr. Chishti have mutually agreed to terminate the existing employment relationship, to enter into a consulting relationship and to provide for certain other matters.

NOW, **THEREFORE**, in consideration of the mutual promises made herein, the Company and Mr. Chishti (collectively referred to as the "**Parties**") hereby agree as follows:

1. **Resignation as Chief Executive Officer**. Mr. Chishti and the Company acknowledge and agree that Mr. Chishti shall resign as Chief Executive Officer of the Company, effective as of the date on which the Company has hired a new Chief Executive Officer (the "**Resignation Date**"). In this regard, Mr. Chishti agrees that he shall use his best efforts to assist and cooperate with the Company in transitioning for a period of six months the day-to-day leadership of the Company to the Company's new Chief Executive Officer by meeting with the new Chief Executive Officer as reasonably requested by him and responding to requests for information to Mr. Chishti's knowledge (including with respect to Pakistan and Europe) concerning past activities of the Company, its technologies, its future plans, its key employees, problems that may be facing the Company and suggested solutions for them, and similar matters, and by encouraging present key employees to assist and cooperate with the new Chief Executive Officer, and by making introductions to key suppliers and customers with whom Mr. Chishti is acquainted (the "**CEO Transition Process**"). Mr. Chishti acknowledges and agrees that in the event he fails to perform his obligations to the Company in the CEO Transition Process, or undertakes any actions regarding the activities of the Company that are not Requested Actions (as defined in Section 2(a)), such failure or action shall constitute an event of Cause (as such term is defined in Section 3(c) below) for termination of his position as Chairman of the Board and of the Consulting Arrangement after the Resignation Date and termination of the Company's obligations to him under this Agreement or otherwise.

2. **Chairman of the Board**. Mr. Chishti shall serve as the Chairman of the Board after the Resignation Date until the occurrence of any of the following: (i) Mr. Chishti's resignation as Chairman; or (ii) the six month anniversary of commencement of his service as Chairman of the Board; or (iii) such time as the Board identifies, in its sole discretion, that he should resign as Chairman of the Board (the "**Termination Date**"). Upon the occurrence of the event described in (iii) above, Mr. Chishti shall resign as Chairman of the Board and thereafter he shall be entitled to remain as a nonexecutive member of the Board during his then-current term. Following the Termination Date, the Board may, in its sole discretion, grant Mr. Chishti the honorary title of Chairman Emeritus. In addition, Mr. Chishti may continue to serve as a consultant to the Company as described in Section 3 below. Notwithstanding the above, the Board can terminate Mr. Chishti's relationship as Chairman of the Board for Cause, as defined in Section 3(c) below, after which Mr. Chishti shall no longer be entitled to receive the benefits described in this Agreement. Mr. Chishti shall remain a member of the Board after the Termination Date until he resigns or is not re-elected by the Company's stockholders for an additional term. Subject to the Board's discretion in the exercise of its fiduciary duties, the Board would presently intend to recommend Mr. Chishti as a Board member together with the recommendations of the Board for his re-election to the Board.

(a) **Responsibilities**. As Chairman of the Board, Mr. Chishti shall be available to assist the Company's new Chief Executive Officer as, and to the extent that, the new Chief Executive Officer, in his sole discretion, requests. Except with respect to Board of Directors matters and as a stockholder, Mr. Chishti will not take any actions regarding the activities of the Company except at the request of the new Chief Executive Officer ("**Requested Actions**").

(b) **Compensation**. While serving as Chairman of the Board, Mr. Chishti shall be paid a monthly compensation of $25,000 ($300,000 on an annualized basis). In accordance with the terms of the stock option granted to Mr. Chishti by the Company on January 4, 2001 (the "**First Option**"), the First Option shares shall continue to vest while Mr. Chishti remains a consultant to the Company. In addition, the parties hereto agree and acknowledge that the grant of a nonstatutory stock option to Mr. Chishti on February 8, 2002 was for the total aggregate amount of 200,000 shares of the Company's common stock (the "**New Option**"), which option has an exercise price equal to the fair market value of the Company's common stock on the date of grant. The New Option shall vest on a monthly basis at the rate of 1/12 of the New Option shares commencing as of the date of grant and continuing during Mr. Chishti's service as Chairman and during the Consulting Period (as defined below), and shall not vest thereafter; provided however that if Mr. Chishti's service as Chairman, or the Consulting Arrangement itself, ends for any reason other than for "Cause" (as defined in Section 3(c) below) or his voluntary resignation prior to the 12 month anniversary of the vesting commencement date of the New Option, the vesting of the New Option shares shall be accelerated such that all of the New Option shares shall become fully vested as of the date such service ends. The other applicable terms of the New Option shall be as set forth in the stock option agreement issued by the Company as of the date of grant. Further, if requested to do so by Mr. Chishti, the Company shall loan Mr. Chishti up to $200,000, which loan shall be full recourse, shall carry the minimum interest rate determined under applicable tax law to avoid imputation of income to Mr. Chishti, and which shall be secured by shares of the Company's common stock owned without restriction by Mr. Chishti.

(c) **Office Space**. While serving as Chairman of the Board, the Company shall provide Mr. Chishti with an office at an off-site location to be approved by the Board and reasonably acceptable to Mr. Chishti. Mr. Chishti's office privileges shall include full-time administrative support from his current assistant at the Company, or, in the event her employment by the Company is terminated, from an individual reasonably agreed to by the Parties.

3. **Consulting Arrangement**. The Company shall retain Mr. Chishti as a consultant to perform such services as may reasonably be requested in writing by the Company (the "**Consulting Arrangement**") for the period from the Resignation Date through the earlier of (i) Mr. Chishti's resignation as a consultant; (ii) the fourth anniversary of the Resignation Date; or (iii) the date on which the Company terminates the Consulting Arrangement for Cause (as defined below) (the "**Consulting Period**").

(a) **Responsibilities**. During the Consulting Period, Mr. Chishti agrees to make himself available at reasonable times and places to perform consulting services as requested by the new Chief Executive Officer or his designee. Mr. Chishti further agrees that during the Consulting Period he will make himself available and use his best efforts in the CEO Transition Process. Mr. Chishti's commitment to the Company for the first two years of the Consulting Period shall be 200 hours per year and for the remaining two years of the Consulting Period shall be 100 hours per year.

(b) **Compensation**. During the portion of the Consulting Period beginning immediately after the Termination Date, Mr. Chishti shall be paid a monthly retainer of $25,000 ($300,000 on an annualized basis) for the remainder of the first two years of the Consulting Period. For the remaining two years of the Consulting Period, Mr. Chishti shall be paid a monthly retainer of $16,667 ($200,000 on an annualized basis). The First Stock Option shall continue to vest through the end of the Consulting Period; the New Option shall vest during the Consulting Period, unless accelerated as set forth in Section 2(b) above. The Company shall reimburse Mr. Chishti for reasonable expenses incurred on behalf of the Company during the Consulting Period, provided that such expenses are substantiated in accordance with Company policies.

(c) **Cause**. For all purposes under this Agreement, a termination of Mr. Chishti's position as Chairman of the Board, or of the Consulting Arrangement itself, for "Cause" shall mean a good faith determination by the Board that Mr. Chishti's position as Chairman or the Consulting Arrangement be terminated for any of the following reasons: (i) failure to perform his obligations hereunder in the CEO Transition Process; (ii) undertaking any actions regarding the activities of the Company that are not Requested Actions; (iii) willful misconduct, including but not limited to a willful breach of his duty of confidentiality to the Company; (iv) conviction of, or a plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state thereof; (v) willful and material breach of either Section 7(e) or 7(f) of this Agreement; and (vi) Mr. Chishti's willful use or unauthorized willful disclosure of any proprietary information or trade secrets of the Company or any other party to whom Mr. Chishti owes an obligation of nondisclosure as a result of his relationship with the Company.

4. **Employee Benefits**.

(a) Mr. Chishti shall continue to receive the Company's standard medical, dental, vision and life insurance benefits at the Company's expense, to the same extent it pays such premiums for other similarly situated employees, until the latest date provided under the terms of the applicable insurance programs. Following such date, Mr. Chishti shall have the right to continue coverage under the Company's medical, dental and vision insurance programs as provided by COBRA at his own expense. If Mr. Chishti makes an accurate and timely election for continuation coverage, the Company agrees to reimburse Mr. Chishti for the applicable premiums for continuation coverage for himself and his then-currently enrolled dependents (as applicable) until the earlier of the end of the Consulting Period or the date on which Mr. Chishti is no longer eligible for such continuation coverage, in which latter case the Company will reimburse Mr. Chishti for his reasonable costs of comparable, alternative coverage until the end of the Consulting Period.

(b) Except as provided above, Mr. Chishti's participation in the Company's employee benefit programs, including without limitation, the long term and short term disability, 401(k), and employee stock purchase plans, shall cease as of the Resignation Date. No additional personal time off shall accrue following the Resignation Date.

5. **Stock Options**. All outstanding stock options granted to Mr. Chishti by the Company, including the New Option granted to Mr. Chishti on February 8, 2002, shall continue to vest according to the respective terms set forth in the option agreements issued to Mr. Chishti and as described in this Agreement and shall remain exercisable to the extent vested for a period of three (3) months after the end of the Consulting Period.

6. **Legal Fees**. The Company will pay Mr. Chishti's reasonable attorneys' fees in connection with negotiating and drafting this Agreement.

7. **Covenants**.

(a) **General**. Mr. Chishti agrees that for all periods described in this Agreement, he shall continue to conduct himself in a professional manner that is supportive of the business of the Company.

(b) **Confidential Information**. Mr. Chishti understands and agrees that his obligations to the Company under the Employee Proprietary Information and Inventions Agreement entered into between Mr. Chishti and the Company (the "**Proprietary Agreement**"), a copy of which is attached hereto as Exhibit A, shall continue through the Consulting Period and shall survive the termination of his relationship with the Company under this Agreement.

(c) **Confidentiality of this Agreement**. Mr. Chishti and the Company agree to use reasonable efforts to maintain in confidence the existence and terms of this Agreement, except as may be disclosed in a press release and except for disclosures required by law or necessary to effectuate the terms of this Agreement. Mr. Chishti understands and acknowledges that the Company will be required to file a copy of this Agreement with the Securities and Exchange Commission and to disclose its terms in the Company's next proxy statement. Notwithstanding the foregoing, each party shall be permitted to discuss the provisions of this Agreement in confidence with its attorneys, accountants, tax advisors and family members. Mr. Chishti agrees not to disclose that he has resigned or is going to resign, until the Company makes an announcement thereof or to the extent that the Board or its authorized committee specifically permits such disclosure. Unless specifically permitted by the Board or its authorized committee, Mr. Chishti will not make any such disclosure to any Company employee, consultant, customer, supplier or present or prospective Company business partner prior to the date the Company makes such announcement.

(d) **Cooperation**. Mr. Chishti shall make himself available at reasonable times and places upon reasonable notice to give deposition and trial testimony and otherwise to assist the Company's attorneys in the prosecution or defense of any legal proceedings involving the Company. The Company will make reasonable efforts to accommodate any other employment or obligations that Mr. Chishti may have. Mr. Chishti shall cooperate with the Company in providing information with respect to all reports required to be filed by the Company with the Securities and Exchange Commission as they relate to required information with respect to Mr. Chishti. The Company shall pay Mr. Chishti's reasonable out-of-pocket expenses incurred in the above activities.

(e) **Nonsolicitation**. During the Consulting Period and for a period of one (1) year thereafter, Mr. Chishti will not: (a) divert or attempt to divert, directly or indirectly, any business of the Company; (b) either directly or indirectly solicit, induce, recruit or encourage any of the Company's employees or consultants to terminate their relationship with the Company, or attempt to solicit, induce, recruit, encourage or take away employees or consultants of the Company, either for himself or for any other person or entity; or (c) induce or attempt to induce any customer, supplier, licensor or other business partner of the Company to cease doing business with the Company or in any way interfere with the existing business relationship between any such customer, supplier, licensor or business partner and the Company.

(f) **Noncompetition; Duty of Loyalty**. During the Consulting Period Mr. Chishti may engage in other employment, consulting or businesses, provided such activity does not preclude him from making himself reasonably available to provide consulting services to the Company as provided above and further provided that Mr. Chishti shall not engage in any employment, consulting or business with or for the benefit of any party that is competitive with the present, proposed, or reasonably and anticipated business activities of the Company; provided that if, without having violated this Agreement, Mr. Chishti is already engaged in a business activity that the Company proposes or anticipates to enter, Mr. Chishti may continue such activity.

8. **Non-Disparagement**. Each party agrees to refrain from (and the Company shall take reasonable steps to cause its executive officers and directors to refrain from) any disparagement or criticism of the other party (and in the case of the Company, its officers, directors and employees).

9. **Breach of this Agreement**. Mr. Chishti acknowledges that upon material breach of any provision of this Agreement or the Proprietary Agreement, the Company would sustain irreparable harm from such breach, and, therefore, Mr. Chishti agrees that in addition to any other remedies which the Company may have under this Agreement, the Proprietary Agreement or otherwise, the Company shall be entitled to obtain equitable relief including specific performance, injunctions and restraining Mr. Chishti from committing or continuing any such violation of this Agreement or the Proprietary Agreement.

10. **Authority**. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Mr. Chishti represents and warrants that he has the capacity to act on his own behalf and on behalf of all whom might claim through him to bind them to the terms and conditions of this Agreement.

11. **No Representations**. Neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Agreement.

12. **Severability**. In the event that any provision hereof becomes or is declared by a court or other tribunal of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

13. **Arbitration**. The Parties shall attempt to settle all disputes arising in connection with this Agreement through good faith consultation. In the event no agreement can be reached on such dispute within fifteen (15) days after notification in writing by either Party to the other concerning such dispute, the dispute shall be settled by binding arbitration to be conducted in Santa Clara County, California before the American Arbitration Association under its California Employment Dispute Resolution Rules, or by a judge to be mutually agreed upon. The arbitration decision shall be final, conclusive and binding on both Parties and any arbitration award or decision may be entered in any court having jurisdiction. The Parties agree that the prevailing party in any arbitration shall be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. The Parties further agree that the prevailing Party in any such proceeding shall be awarded reasonable attorneys' fees and costs. This Section 13 shall not apply to the Proprietary Agreement. **The parties hereby waive any rights they may have to trial by jury in regard to arbitrable claims.**

14. **Indemnification**. The Indemnification Agreement entered into by Mr. Chishti and the Company, a copy of which is attached hereto as Exhibit B, shall remain in effect following the Resignation Date in accordance with the terms of such agreement.

15. **Entire Agreement**. This Agreement, and the exhibits hereto, represent the entire agreement and understanding between the Company and Mr. Chishti concerning Mr. Chishti's separation from the Company, and supersede and replace any and all prior agreements and understandings concerning Mr. Chishti's relationship with the Company and his compensation by the Company.

16. **No Oral Modification**. This Agreement may only be amended in writing signed by Mr. Chishti and the Company.

17. **Governing Law**. This Agreement shall be governed by the laws of the State of California, without regard to its conflicts of law provisions.

18. **Effective Date**. This Agreement shall be effective upon execution by the Parties.

19. **Counterparts**. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

20. **Assignment**. This Agreement may not be assigned by Mr. Chishti or the Company without the prior written consent of the other party. Notwithstanding the foregoing, this Agreement may be assigned by the Company to a corporation controlling, controlled by or under common control with the Company without the consent of Mr. Chishti.

21. **Voluntary Execution of Agreement**. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:

(a) they have read this Agreement;

(b) they have been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel;

(c) they understand the terms and consequences of this Agreement; and

(d) they are fully aware of the legal and binding effect of this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each of the Parties has executed this Agreement, in the case of the Company by its duly authorized director, as of the day and year first written above.

ALIGN TECHNOLOGY, INC.

/S/ Joseph Lacob

Joseph Lacob, on behalf of the Board of

Directors

MUHAMMAD ZIAULLAH CHISHTI, an individual

/S/ Zia Chishti

Muhammad Ziaullah Chishti

EXHIBIT A

EMPLOYEE PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

EXHIBIT B

INDEMNIFICATION AGREEMENT

EXHIBIT 10.20

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 27th day of March, 2002, by and between Align Technology, Inc., a Delaware corporation (the "Company"), and Thomas M. Prescott (hereinafter referred to as "Executive") (together, the "Parties").

WITNESSETH

WHEREAS, the Company desires to employ Executive, and Executive desires to be employed by the Company, upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the promises and the mutual covenants hereinafter set forth, the Parties agree as follows:

AGREEMENT

1. Position and Duties. The Company agrees to employ Executive as Chief Executive Officer of the Company. The entire duration of Executive's employment by the Company shall be referred to herein as the "Employment Period." Each full twelve (12) month period that Executive is employed by the Company after the date hereof (the "Start Date") shall be referred to herein as an "Employment Year." During the Employment Period, Executive shall diligently, in good faith and to the best of his abilities perform all duties incident to his position and as are determined and assigned to him from time to time by the Board of Directors of the Company (the "Board"). During the Employment Period, Executive shall devote substantially all of his time, attention and efforts to the business and affairs of the Company, and shall use his reasonable best efforts to promote the interests of the Company. Executive shall not engage in any other business or job activity during the Employment Period without the Company's prior written consent; provided, however, that Executive may continue to serve in his current capacity as a member of the Board of Directors of Cohesion Technologies, Inc. and R2 Technologies, Inc., and in any capacity with any civic, educational or charitable organization.
2. Board of Directors. Executive shall be appointed by the Board to fill a current vacancy on the Board and shall be nominated as a member of the Board for election at the next stockholders' meeting thereafter. Executive shall accept such appointment and, to the extent elected by the stockholders' to the Board, such election.
3. Employment "at will". The Parties understand and acknowledge that Executive's employment with the Company constitutes "at will" employment, and, thus, Executive's employment with the Company will not be for a specified term and may be terminated by Executive or the Company at any time with or without cause, subject to the provisions of Section 5 below.
4. Compensation. During the Employment Period, Executive shall receive compensation from the Company for his services hereunder determined as follows:
   A. Base Salary. The Company agrees to pay to Executive a base salary (hereafter referred to as the "Base Salary") in the amount of three hundred fifty thousand dollars ($350,000.00) per Employment Year, less all applicable withholdings and deductions, to be paid not less frequently than monthly and in accordance with the Company's standard payroll policies and practices. The Board will review Executive's Base Salary no less than once annually, and may increase the Base Salary at the Board's discretion. The Base Salary will not be reduced without Executive's consent.
   B. Bonus. Executive shall be eligible for an annual bonus ("Bonus") of up to a maximum of fifty percent (50%) of Executive's Base Salary for the prior year, based on the attainment of performance objectives to be agreed upon and established by the Parties. The actual amount of the bonus payable for any year will depend upon the extent to which the applicable performance objectives have been satisfied, subject to the provisions of Section 5(A)(i). For the 2002 fiscal year, the Bonus shall be prorated for the portion of the year ending December 31, 2002 which transpires after the Start Date. Any bonus that actually is earned will be paid as soon as practicable (but not later than 2 months) after the end of the fiscal year for which the bonus is earned, but only if Executive is employed with the Company through the end of such fiscal year.
   C. Stock Options.
      i. The Board will promptly grant Executive a stock option to purchase one million two hundred thousand (1,200,000) shares of the Company's common stock. The option grant shall be governed by the Company's 2001 Stock Option Plan, and shall be subject to the terms and conditions of such plan and the Company's standard Stock Option Agreement that Executive shall execute (the "Stock Option Agreement"), which shall include the Company's standard vesting provisions (which provide that, among other things, the option shall vest during the Employment Period over a period of four (4) years, with twenty-five percent (25%) of the option vesting upon the first anniversary of the Start Date, and the remainder of the option vesting in equal monthly installments over the remaining three (3) years). To the extent that there is any conflict between this Agreement and the Stock Option Agreement, the terms of this Agreement shall control.
      ii. The Stock Option Agreement evidencing the stock option granted pursuant to this Agreement, or an addendum thereto, shall contain provisions such that in the event of a Change of Control (as defined in Exhibit A hereto) of the Company, Executive shall vest in fifty percent (50%) of the previously unvested portion of the option granted pursuant to this Agreement. Thereafter, the remaining portion of the option

shall vest in accordance with the normal vesting schedule based on Executive's continued service (i.e., on each subsequent vesting date, Executive will vest in 50% of the number of shares that would have vested on that date absent the accelerated vesting which occurred due to a Change in Control).

iii. At least once during each fiscal year, the Board will consider granting Executive an option or options to purchase shares of the Company's common stock at a per share exercise price equal to no more than the fair market value of the common stock of the Company on the grant date(s) of the option(s). The number, terms and conditions of any options granted to Executive will be determined at the discretion of the Board, but the Board generally will seek to grant options to Executive in an amount and on the terms and conditions that are performance based and deemed competitive, all as determined by the Board.

D. Standard Benefits. Executive shall be eligible to participate in standard employee benefit programs (including medical, dental, life and disability insurance, which shall be effective as of and from the date of his employment hereunder) as the Company shall maintain from time to time for the benefit of senior executives of the Company. Executive may receive such other and additional benefits as the Board may determine from time to time in its sole discretion.

E. Expenses. During the Employment Period, Executive shall be entitled to receive prompt reimbursement for all reasonable and necessary employment-related expenses incurred by Executive from the Start Date. Such reimbursement is contingent upon Executive providing the Company with itemized accounts, receipts and other documentation of expenses, and will be provided to Executive in accordance with the Company's standard practices applicable to other senior executives of the Company. The Company also agrees to directly pay the reasonable legal fees associated with negotiating and drafting this Agreement and all other documents referred to herein upon receipt of invoices for such services.

5. Termination. Either the Company or Executive may terminate Executive's employment in accordance with the following provisions:

A. Termination by the Company. The employment of Executive may be terminated by the Board at will, with or without cause, subject to the following:

i. In the event that Executive's employment is terminated by the Board for Cause (as defined below), the Company agrees to pay Executive an amount equal to Executive's Base Salary, and all accrued vacation, expense reimbursement and any other benefits owed to the Executive, through the effective date of termination as set by the Board, and Executive shall not be entitled to any further compensation or benefits provided under this Agreement.

a. "Cause" for termination shall include (1) any act of fraud or embezzlement by Executive, or any act of dishonesty by Executive in connection with the performance of his duties for the Company that adversely affects the business or affairs of the Company, (2) any unauthorized use or disclosure by Executive of Confidential Information (as defined below), including trade secrets, of the Company (or any parent or subsidiary of the Company), (3) any other intentional misconduct by Executive adversely affecting the business or affairs of the Company in a material manner or (4) Executive's breach of a material term of this Agreement. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Company (or any parent or subsidiary of the Company) may consider as grounds for the dismissal or discharge of Executive or any other individual in the service of the Company (or any parent or subsidiary of the Company).

b. The Board may not terminate Executive under Section 5(A)(i)(a)(4) unless it has given Executive notice in writing of its intention to terminate his employment for cause pursuant to such provisions and ten (10) days to correct any condition giving rise to cause for termination. In the event that Executive fails satisfactorily to correct such conditions of which he is notified, which determination shall be made in good faith by the Board, his employment shall be terminated.

ii. If Executive's employment is terminated as a result of Executive's Incapacity (as defined below), or by the Company other than for Cause, the Company agrees, provided Executive enters into a severance and release agreement acceptable to the Company, to the following severance benefits:

a. twelve (12) payments equal, in the aggregate, to 100% of the Base Salary, payable in equal monthly installments over the twelve- month period following Executive's termination;

b. the vesting of the option granted pursuant to this Agreement will accelerate on the date of termination as to that number of shares that would have become vested if Executive had remained employed by the Company until the date twelve (12) months following the termination date; and

c. the same level of health (i.e. medical, vision and dental) coverage and benefits as in effect for Executive and his eligible dependants on the day immediately preceding the day of termination of employment; provided, however that (A) Executive and his eligible dependants constitute qualified beneficiaries, as defined in Section 4890B(g)(1) of the Internal Revenue Code of 1986, as amended; and (B) Executive and his eligible dependants elect continuation coverage pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA. The Company shall continue to provide Executive and his eligible dependants with such health coverage until the earlier of (i) the date Executive, or his eligible dependants, as applicable, are no longer eligible to receive continuation coverage pursuant to COBRA, or (ii) twelve (12) months from the termination date. However, if Executive becomes eligible for group health coverage sponsored by another employer, the Company shall not be obligated to pay any portion of the cost of the coverage and benefits provided hereunder for periods after he becomes eligible for such other coverage.

iii. "Incapacity" shall include death and any injury or illness leading to the inability of Executive to properly perform duties for a period of more than one hundred eighty (180) days.

B. Termination by Executive.

i. If Executive's employment with the Company is terminated by Executive for any reason other than Good Reason (as defined below) or as a result of Executive's Incapacity, Executive shall be entitled only to his Base Salary, and all accrued vacation, expense reimbursements and any other benefits owed to Executive, through the date of termination and Executive shall not be entitled to any further compensation or benefits pursuant to this Agreement.

ii. If Executive's employment is terminated by Executive for Good Reason (as defined below), the Company agrees, provided Executive enters into a severance and release agreement acceptable to the Company, to pay Executive the following benefits:

a. twelve (12) payments equal, in the aggregate, to 100% of the Base Salary, payable in equal monthly installments over the twelve- month period following Executive's termination;

b. the vesting of the option granted pursuant to this Agreement will accelerate on the date of termination as to that number of shares that would have become vested if Executive had remained employed by the Company until the date twelve (12) months following the termination date; and

c. the same level of health (i.e. medical, vision and dental) coverage and benefits as in effect for Executive and his eligible dependants on the day immediately preceding the day of termination of employment; provided, however that (A) Executive and his eligible dependants constitute qualified beneficiaries, as defined in Section 4890B(g)(1) of the Internal Revenue Code of 1986, as amended; and (B) Executive and his eligible dependants elect continuation coverage pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA. The Company shall continue to provide Executive and his eligible dependants with such health coverage until the earlier of (i) the date Executive, or his eligible dependants, as applicable, are no longer eligible to receive continuation coverage pursuant to COBRA, or (ii) twelve (12) months from the termination date. However, if Executive becomes eligible for group health coverage sponsored by another employer, the Company shall not be obligated to pay any portion of the cost of the coverage and benefits provided hereunder for periods after he becomes eligible for such other coverage.

iii. Executive agrees to use his reasonable best efforts to assist the Company to locate and hire a suitable replacement. For purposes of this Agreement, "Good Reason" shall be deemed to exist following: (A) a breach by the Company of a material term of this Agreement, (B) a material reduction of Executive's title, authority, status or responsibilities with the Company, (C) a reduction in Executive's level of Base Salary by more than fifteen percent (15%) or (D) a relocation of Executive's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Company without Executive's consent.

6. Restrictive Covenants. Executive acknowledges that, pursuant to his employment with the Company, he will necessarily have access to trade secrets and information that is confidential and proprietary to the Company in connection with the performance of his duties. In consideration for the disclosure to Executive of, and the grant to Executive of access to such valuable and confidential information and in consideration of his employment, Executive shall comply in all respects with the provisions of this Section 6.

A. Confidentiality. During the Employment Period and thereafter, Executive shall abide by the provisions concerning "Proprietary Information" set forth in the Proprietary Agreement (as defined in Section 8(B) below). For purposes of this Agreement, the term "Proprietary Information" shall have the meaning ascribed to it is the Proprietary Agreement, a form of which is attached hereto as Exhibit B.

B. Loyalty. During the Employment Period, Executive shall not, without the prior written consent of the Board, on his own account or as an employee, agent, promoter, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any business that is competitive with the business that is conducted by the Company or is in the same general field or industry as the Company, except as the holder of not more than one percent (1%) of the outstanding stock of a publicly held company.

Without limiting the generality of the foregoing, Executive does hereby covenant not to, during the Employment Period:

i. contact, solicit or call upon any customer or supplier of the Company on behalf of any person or entity other than the Company for the purpose of selling, providing or performing any services of the type normally provided or performed by the Company; or

ii. induce or attempt to induce any person or entity to curtail or cancel any business which such person or entity had with the Company; or

iii. induce or attempt to induce any person or entity to terminate, cancel or breach any contract which such person or entity has with the Company.

C. Non-Solicitation of Executives. During the Employment Period, and for one (1) year thereafter, Executive agrees not to directly or indirectly solicit, induce or attempt to solicit or induce any employee of the Company to terminate his or her employment with the Company in order to become employed by any other person or entity.

D. Injunctive Relief. Executive expressly agrees that the covenants set forth in this Section 6 are reasonable and necessary to protect the Company and its legitimate business interests, and to prevent the unauthorized dissemination of Confidential Information to competitors of the Company. Executive also agrees that the Company will be irreparably harmed and that damages alone cannot adequately compensate the Company if there is a violation of this Section 6 by Executive, and that injunctive relief against Executive is essential for the protection of the Company. Therefore, in the event of any such breach, it is agreed that, in addition to any other remedies available, the Company shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction, plus attorneys' fees actually incurred for the securing of such relief. Furthermore, Executive agrees that the Company shall not be required to post a bond or other collateral security with the court if the Company seeks injunctive relief.

7. Golden Parachute Excise Tax.
   A. In the event it shall be determined that any payment or distribution by the Company or other amount with respect to the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7 (a "Payment"), is (or will be) subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties are (or will be) incurred by Executive with respect to the excise tax imposed by Section 4999 of the Code with respect to the Company (the excise tax, together with any interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), Executive shall be entitled to receive an additional cash payment (a "Gross-Up Payment") from the Company in an amount equal to the sum of the Excise Tax and an amount sufficient to pay the cumulative Excise Tax and all cumulative income taxes (including any interest and penalties imposed with respect to such taxes) relating to the Gross-Up Payment so that the net amount retained by Executive is equal to all payments to which Employee is entitled pursuant to the terms of this Agreement (excluding the Gross-Up Payment) or otherwise less income taxes (but not reduced by the Excise Tax or by income taxes attributable to the Gross-Up Payment).
   B. Subject to the provisions of Section 7(C), all determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at the determination, shall be made by a nationally recognized certified public accounting firm selected by the Company with the consent of Executive, which should not unreasonably be withheld (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within 30 days after the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. The Company, as determined in accordance with this Section 7, shall pay any Gross-Up Payment to Executive within five days after the receipt of the Accounting Firm's determination or, if later, on the date when the Excise Tax payment is due. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall so indicate to Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm, it is possible that Gross-Up Payments that the Company should have made will not have been made (an "Underpayment") or that payments in excess of the amount that should have been made (an "Overpayment") were made, consistent with the calculations required to be made hereunder. In the event the Company exhausts its remedies in accordance with Section 7(C) and Executive thereafter is required to make a payment of any Excise Tax or if a smaller amount of Excise Tax is owed, the Accounting Firm shall determine the amount of Underpayment or Overpayment that has occurred and the Underpayment shall be promptly paid by the Company to or for the benefit of Executive or the Overpayment shall be promptly paid by Executive to the Company.
   C. Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require a Gross-Up Payment (that has not already been paid by the Company). The notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of the claim and shall apprise the Company of the nature of the claim and the date on which the claim is requested to be paid. Executive shall not pay the claim prior to the expiration of the 30- day period following the date on which Executive gives notice to the Company or any shorter period ending on the date that any payment of taxes with respect to the claim is due. If the Company notifies Executive in writing prior to the expiration of the 30-day period that it desires to contest the claim, Executive shall:
      i. give the Company any information reasonably requested by the Company relating to the claim;
      ii. take any action in connection with contesting the claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to the claim by an attorney reasonably selected by the Company;
      iii. cooperate with the Company in good faith in order effectively to contest the claim; and
      iv. permit the Company to participate in any proceedings relating to the claim.
   D. The Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with the contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of the representation and payment of costs and expenses. Without limitation of the forgoing provisions of this Section 7, the Company shall control all proceedings taken in connection with the contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings, and conferences with the taxing authority in respect of the claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute the contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine. If the Company directs Executive to pay the claim and sue for a refund, the Company shall advance the amount of the payment to Executive, on an interest-free basis, and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to the advance or with respect to any imputed income with respect to the advance; and any extension of the statute of limitations relating to payment of taxes

for the taxable year of Executive with respect to which the contested amount is claimed to be due shall be limited solely to the contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by Executive of an amount advanced by the Company pursuant to this Section 7(D), Executive becomes entitled to receive any refund with respect to the claim, Executive shall, subject to the Company's compliance with the requirements of this Section 7(D), promptly pay to the Company the amount of the refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to this Section 7(D), a determination is made that Executive shall not be entitled to any refund with respect to the claim and the Company does not notify Executive in writing of its intent to contest the denial of refund prior to the expiration of 30 days after the determination, then the advance shall be forgiven and shall not be required to be repaid and the amount of the advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid. Notwithstanding the above, Executive and not the Company shall be liable for the payment of any interest or penalty that is due because of Executive's failure to notify the Company or cooperate with the Company as required by this Section 7.

8. Notices. Any notice which either party may wish or be required to give to the other party pursuant to this Agreement shall be in writing and shall be either personally served or deposited in the United States mail, registered or certified and with proper postage prepaid, addressed as follows:

To the Company:

Align Technology, Inc.

851 Martin Avenue

Santa Clara, CA 95050

Attention: Human Resources

With a Copy to:

Brobeck, Phleger & Harrison LLP

One Market, Spear Street Tower

San Francisco, CA 94105

Attention: John W. Larson

To Executive:

Thomas M. Prescott

3253 E. Ruby Hill Drive

Pleasanton, CA 94566

or to such other address as the Parties may designate from time to time by written notice to the other party given in the above manner. Notice given by personal service shall be deemed effective upon service. Notice given by registered or certified mail shall be deemed effective three (3) days after deposit in the mail.

9. Miscellaneous.
   A. Arbitration. The Parties shall attempt to settle all disputes arising in connection with this Agreement through good faith consultation. In the event no agreement can be reached on such dispute within fifteen (15) days after notification in writing by either of the Parties to the other concerning the dispute, the dispute shall be settled by binding arbitration to be conducted in Santa Clara County, California before the American Arbitration Association under its California Employment Dispute Resolution Rules with a single arbiter, or by a judge to be mutually agreed upon. The arbitration decision shall be final, conclusive and binding on both parties and any arbitration award or decision may be entered in any court having jurisdiction. The Parties agree that the prevailing party in any arbitration shall be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. The Parties further agree that the prevailing party in any such proceeding shall be awarded reasonable attorneys' fees and costs. This Section 9(A) shall not apply to the Proprietary Agreement (as defined below). **The parties hereby waive any rights they may have to trial by jury in regard to arbitrable claims.**
   B. Proprietary Information. Executive's employment under this Agreement is contingent on his signing the Company's standard form of Employee Proprietary Information and Inventions Agreement (the "Proprietary Agreement"), a form of which is attached hereto as Exhibit B.

C. Entire Agreement. This Agreement (together with the Proprietary Agreement and the Stock Option Agreement with respect to the specific provisions contained therein) constitutes the entire agreement of the Parties with respect to Executive's employment with the Company, and supersedes and prevails over all other prior agreements, understandings or representations by or between Executive and the Company, whether oral or written, with respect to Executive's employment with the Company.
D. Representations. Neither of the Parties has relied upon any representations or statements made by the other party hereto which are not specifically set forth in this Agreement.
E. Modifications. This Agreement may not be changed or terminated orally. No modification, termination, or waiver of any of the terms or provisions of this Agreement shall be valid unless in writing signed by the party against whom the same is sought to be enforced. In the case of the Company, any such writing must be signed by at least one (1) member of the Board (not including the Executive should he be such a member).
F. Savings and Severability. If any restriction set forth in this Agreement is held to be unreasonable or unenforceable, then the Parties agree, and hereby submit, to the reduction and limitation of such restriction to such area or period or scope as shall be deemed reasonable and enforceable. The Parties also agree that if any provision of this Agreement (or portion thereof) is held to be illegal, unenforceable or void, that such condition will not affect any other provision (or portion thereof) contained herein and that this Agreement shall be construed as if such provision or portion had never been contained herein.
G. Prior Obligations of Executive. Executive represents and warrants that, by entering this Agreement, he is not breaching any contractual relationship or obligation toward any person or entity. Furthermore, he understands that the Company is hiring him solely for the purpose of engaging his skill and expertise and not to acquire trade secrets or confidential information belonging to any other person or entity. Executive further understands that he is prohibited from disclosing such trade secrets and proprietary information to the Company.
H. Successors. This Agreement shall extend to and be binding upon Executive, his legal representatives, heirs and distributees, and upon the Company, its successors and assigns.
I. Governing Law. This Agreement shall be construed and interpreted under the laws of the State of California applicable to agreements executed and to be wholly performed within the State of California.
J. Counterparts. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the Parties.
K. Assignment. This Agreement may not be assigned by Executive or the Company without the prior written consent of the other party. Notwithstanding the foregoing, this Agreement may be assigned by the Company to a corporation controlling, controlled by or under common control with the Company without the consent of Executive.
L. Voluntary Execution of Agreement. This Agreement has been executed voluntarily and without any duress or undue influence on the part or behalf of the Parties, with the full intent of establishing an employment relationship between the Company and Executive. The Parties acknowledge that:
    i. They have read this Agreement thoroughly;
    ii. They have been represented in the preparation, negotiation and execution of this Agreement by legal counsel of their own choice or that they have voluntarily declined to seek such counsel; and
    iii. They are fully aware of the legal and binding effect of this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Employment Agreement to be executed effective as of the date first set forth above.

ALIGN TECHNOLOGY, INC.

By: /S/ Joseph Lacob
Name: Joseph S. Lacob

Title: Director

THOMAS M. PRESCOTT

By: /S/ Thomas Prescott

Name: Thomas M. Prescott

EXHIBIT A

CHANGE IN CONTROL DEFINITION

A **Change in Control** shall be deemed to occur in the event of a change in ownership or control of the Company effected through either of the following transactions:

(A) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its controlling entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity (or its controlling entity) outstanding after such merger or consolidation.

(B) the acquisition, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders.

(C) a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (i) have been Board members continuously since the beginning of such period or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (i) who were still in office at the time the Board approved such election or nomination.

(D) the date of the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets to any person (as such term is used in Section 13(d) of the Securities and Exchange Act of 1934, as amended), entity or group acting in concert.

EXHIBIT B

EMPLOYEE PROPRIETARY INFORMATION
AND INVENTIONS AGREEMENT

ALIGN TECHNOLOGY, INC.

EMPLOYEE PROPRIETARY INFORMATION
AND INVENTIONS AGREEMENT

In consideration of my employment or continued employment by **ALIGN TECHNOLOGY, INC**. (the "**Company**"), and the compensation now and hereafter paid to me, I hereby agree as follows:

1. **PROPRIETARY INFORMATION**

. At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless the Board of Directors of the Company expressly authorizes such in writing. "**Proprietary Information**" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company, its affiliated entities, customers and suppliers, including but not limited to information relating to products, processes, know-how, designs, formulas, methods, developmental or experimental work, improvements, discoveries, inventions, ideas, source and object codes, data, programs, other works of authorship, and plans for research and development. During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person.

2. **ASSIGNMENT OF INVENTIONS.**

2.1 **Proprietary Rights**

. The term "**Proprietary Rights**" shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

2.2 **Inventions**

. The term "**Inventions**" shall mean all trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques.

2.3 **Prior Inventions**

. I have set forth on Exhibit B (Previous Inventions) attached hereto a complete list of all Inventions that I have, alone or jointly with others, made prior to the commencement of my employment with the Company that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as "**Prior Inventions**"). If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company's prior written consent.

2.4 **Assignment of Inventions**

. Subject to Section 2.6 and except for those Inventions which I can prove qualify fully under the provisions of California Labor Code 2870 (as set forth in *Exhibit A*), I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto). I will, at the Company's request, promptly execute a written assignment to the Company of any such Company Invention, and I will preserve any such Invention as part of the Proprietary Information of the Company (the "**Company Inventions**").

2.5 **Obligation to Keep Company Informed**

. I will promptly and fully disclose in writing to the Company all Inventions during my employment and for one (1) year after my employment, including any that may be covered by Section 2870. I agree to assist in every proper way and to execute those documents and take such acts as are reasonably requested by the Company to obtain, sustain and from time to time enforce patents, copyrights and other rights and protections relating to Inventions in the United States or any other country.

2.6 **Government or Third Party**

. I also agree to assign all my right, title and interest in and to any particular Company Invention to a third party, including without limitation the United States, as directed by the Company.

3. **NO CONFLICTING OBLIGATION**

. I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

4. **RETURN OF COMPANY DOCUMENTS**

. Upon termination of my employment with the Company for any reason whatsoever, voluntarily or involuntarily, and at any earlier time the Company requests, I will deliver to the person designated by the Company all originals and copies of all documents and other property of the Company in my possession, under my control or to which I may have access. I will not reproduce or appropriate for my own use, or for the use of others, any property, Proprietary Information or Company Inventions.

5. **LEGAL AND EQUITABLE REMEDIES**

. Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

6. **NOTICES**

. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing.

7. **EMPLOYMENT**

. I agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause.

8. **GENERAL PROVISIONS**. This Agreement will be governed by and construed according to the laws of the State of California, as such laws are applied to agreements entered into and to be performed entirely within California between California residents. In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and its assigns. The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee. No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The obligations pursuant to Sections I and 2 of this Agreement shall apply to any time during which I was previously employed, or am in the future employed, by the Company as a consultant if no other agreement governs nondisclosure

and assignment of inventions during such period. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

This Agreement shall be effective as of the first day of my employment with the Company.

Dated:
(Signature)
(Printed Name)
ACCEPTED AND AGREED TO:
ALIGN TECHNOLOGY, INC.
By:
Title:
(Address)
Dated:

EXHIBIT A

LIMITED EXCLUSION NOTIFICATION

THIS IS TO NOTIFY you in accordance with Section 2872 of the California Labor Code that the foregoing Agreement between you and the Company does not require you to assign or offer to assign to the Company any invention that you developed entirely on your own time without using the Company's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company;

2. Result from any work performed by you for the Company.

To the extent a provision in the foregoing Agreement purports to require you to assign an invention otherwise excluded from the preceding paragraph, the provision is against the public policy of this state and is unenforceable.

This limited exclusion does not apply to any patent or invention covered by a contract between the Company and the United States or any of its agencies requiring full title to such patent or invention to be in the United States.

I ACKNOWLEDGE RECEIPT of a copy of this notification.

By:

(PRINTED NAME OF EMPLOYEE)

Date:

WITNESSED BY:

(PRINTED NAME OF REPRESENTATIVE)

EXHIBIT B

TO: ALIGN TECHNOLOGY, INC.

F**ROM**: ______________________________

DATE: ______________________________

SUBJECT: Previous Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment by ALIGN TECHNOLOGY, INC. (the "Company") that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

☐ No inventions or improvements.

☐ See below:

☐ Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section I above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	Invention or Improvement		**Party(ies)**		**Relationship**
1.					
2.					
3.					

☐ Additional sheets attached.

EXHIBIT 10.21

March 28, 2002

Mr. Ike Udechuku
2436 Clay Street
San Francisco, CA 94115

Dear Ike:

This letter is to confirm the agreement (the "Agreement") between you and Align Technology, Inc. (the "Company") regarding your separation from employment with the Company.

1. Your separation from the Company will be effective on February 28, 2002 (the "Separation Date") and you will not be required to report to work after today.
2. You will be paid a lump sum amount equal to three (3) months of your current base salary of $200,000.00, less all applicable deductions and withholdings, forty-eight (48) hours following our signing and dating this Agreement.
3. You understand and agree that all Company-sponsored benefits terminate upon your Separation Date. Should you be eligible and choose to continue your medical benefits under COBRA, the Company will pay your monthly COBRA premiums for you through the earlier of three (3) months, or such time as you become eligible for health care coverage under a new employer plan. You must notify the Company when you become covered under another employer's plan. Thereafter, continued coverage under COBRA will be at your own expense, subject to COBRA terms, conditions, and eligibility requirements.
4. Option/Share Vesting Benefit: You shall be given an additional three (3) months of service credit for the purposes of option vesting or share vesting ("the Acceleration"), as the case may be. With the exception of this service credit, each of your option/share grants shall otherwise continue to be governed and enforced under the terms of the plan under which the option/share grant was made, and the applicable stock option and/or stock purchase agreement.
    a. You acknowledge and agree that each of your existing stock options with the Company is referenced in the following table (your "Options"), and that your rights to Company Common Stock under each such option, including the Acceleration, is reflected in the "Vested Shares " column below:

Option No.	**Option Date**	**Plan/ Type**	**Price per Share (post-split)**	**Shares Granted (post-split)**	**Post-split Vested Shares**	**Post-split Unvested Shares**
00000446	08/08/00	1997/ISO	$2.13 ($1.0650)	46,948 (93,896)	43,035	50,861
00000509	08/08/00	1997/NQ	$2.13 ($1.0650)	60,052 (120,104)	55,047	65,057
00000591	09/29/00	1997/NQ	$2.13 ($1.0650)	10,214 (20,428)	8,086	12,342
00001158	11/13/00	1997/NQ	$2.13 ($1.0650)	10,000 (20,000)	7,500	12,500

    b. You further acknowledge and agree that you early-exercised Option Nos. 00000446, 00000509, 00000591, 00001158 as to all shares using four (4) promissory notes, as described below, and that including the Acceleration, 140,760 of such shares are Unvested Shares which are now subject to the Company's right of repurchase. The Company has notified you, and hereby reaffirms that notification, of its intent to repurchase all such 140,760 Unvested Shares under Option Nos. 00000446, 00000509, 00000591, 00001158 at the purchase price of $1.0650 per share. This repurchase will be effected through the cancellation of $149,909.40 of the $270,965.82 you owe the Company due to your four (4) promissory notes.
    c. You further acknowledge and agree that, taking into account the repurchase of your Unvested Shares described above, you owe the Company $156,528.11 ($121,056.42 of which is the remaining balance of the four (4) notes and $35,471.69 of which is accrued interest). These notes were full-recourse and were secured by the Company Common Stock underlying your Options. All four (4) of these notes are currently in default, due to your failure to pay the accrued interest of $26,975.50 due on November 13, 2002. The Company has not yet received this interest payment from you and is taking the following action pursuant to the terms of the Note and the corresponding Stock Pledge Agreement, dated November 13, 2000 (the "Stock Pledge Agreement"), which you entered into with the Company.

        Pursuant to Section 5A of the Note and Section 10 of the Stock Pledge Agreement, the Company proposes to retain and cancel Shares held as Collateral under the Stock Pledge Agreement in an amount sufficient in value to cover the full amount of the Debt you owe the Company, plus all interest accrued on the Debt to the date first set forth above. The Shares so retained and cancelled will be valued at the closing price of the Company's common stock as reported by The Wall Street Journal as of your separation date. Any remaining Shares will be released as Collateral under the terms of the Pledge Agreement. Each of your Options shall continue to be governed by the written terms of the Align

Technology, Inc. 1997 Equity Incentive Plan, and the existing stock option, stock purchase, and/or stock issuance agreement(s) and any addenda or waivers thereto, now existing between you and the Company (collectively, the "Option Agreements").

The Company has notified you, and hereby reaffirms that notification, of its intent to retain and cancel 36,831 Vested Shares under Option Nos. 00000446, 00000509, 00000591, 00001158 at the February 28, 2002 market price of $4.25 per share for payment of the remaining outstanding balance of $156,528.11 you owe the Company due to your four (4) promissory notes.

d. You agree that you have no rights to any Company equity under any Company plan, policy or practice, except as expressly set out in this Paragraph 4 and your Option Agreements.

1. You agree that when you were hired, the Company advanced you a payment against unearned wages in the amount of $95,000.00 (the "Advance"). The Advance was due on demand but in no event later than September 19, 2001. The advance amount of $95,000 and accrued interest of $8,216.12 will be forgiven. The forgiveness of a debt must be reported as taxable income on your 2002 W-2. Align will pay the FICA and Medicare taxes for you, however, the tax payment will also be reflected on your 2002 W-2 as taxable income.
2. You agree that as of your Separation Date you have already been paid for all of your accrued but unused vacation, salary and commissions earned through February 28, 2002
3. In consideration for receiving the severance payments and benefits described above, and for other good and sufficient consideration as reflected in this Agreement and which you hereby acknowledge, you waive and release and promise never to assert any claims, whether or not now known, against Align Technology and its current and former predecessors, successors, subsidiaries, officers, directors, agents, employees and assigns, with respect to any matter arising out of or connected with your employment with the Company or the termination of that employment, including without limitation, claims of wrongful discharge, emotional distress, defamation, breach of contract, breach of the covenant of good faith and fair dealing, any claims of discrimination based on sex, age, race, national origin, or any other basis, under Title VII of the Civil Rights Act of 1964, as amended, any violation of California Labor Code, the California Fair Employment and Housing Act, California Constitution, the Equal Pay Act of 1963, the Americans with Disabilities Act, and any other laws or regulations relating to employment. The only claims not waived by you under this Agreement include claims for:
   a. workers' compensation insurance benefits under the terms of any workers' compensation insurance policy or fund;
   b. unemployment or any state disability insurance benefits pursuant to the terms of applicable state law; and
   c. continued participation in certain of the Company's group benefit plans pursuant to the federal law known as COBRA.
4. You expressly waive and release any and all rights and benefits under Section 1542 of the Civil Code of the State of California, or any analogous law of any other state, which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him, must have materially affected his settlement with the debtor."
5. You agree that you do not have any charges, claims, administrative complaints or lawsuits of any kind pending against the Company, and you represent and warrant that you do not have any basis to file, nor intent to file, any such charge, claim, complaint, or lawsuit.
6. You and the Company agree that neither you nor the Company will disclose to others the fact or terms of this letter, except that you may disclose such information to your attorney or accountant in order for such individuals to render services to you.
7. Nothing contained in this Agreement shall constitute or be treated as an admission by you or the Company of liability, of any wrongdoing, or of any violation of law.
8. At all times in the future, you will remain bound by Company's Proprietary Information and Inventions Agreement signed by you on August 21, 2000, a copy of which is attached.
9. You agree not to make any derogatory, disparaging or negative statements about the Company, its products, or employees.
10. You agree that except as expressly provided in this Agreement, this Agreement renders null and void any and all prior agreements between you and the Company, with the exception of the Proprietary Information and Inventions Agreement and any agreements relating to your Option.
11. You agree that if any provision of this Agreement is found to be invalid, the remainder of this Agreement shall not be affected by such a determination.
12. This Agreement shall be construed and interpreted in accordance with the laws of the State of California.
13. You agree that this is the entire agreement regarding the subject matter hereof and supercedes all previous negotiations, agreements and understandings.
14. You and the Company agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
15. You and the Company agree that a facsimile signature on the Agreement shall be as effective as an original signature.

Please indicate your agreement with the above terms by signing below.

Sincerely,

/S/ Jo-Ann Byrne

My signature below signifies my agreement with the above terms. Furthermore, I acknowledge that I have read and understand the foregoing letter and that I sign this release of all claims voluntarily, with full appreciation that I am forever foreclosed from pursuing any of the rights I have waived.

Signed: /S/ Ike Udechuku

Ike Udechuku

Dated: ______________________

Align Technology, Inc. agrees to the foregoing.

Align Technology, Inc.

By: ______*/s/* Jo-Ann Byrne_______________________

Dated: _________________